

- **2019 North Dakota income tax return**

Starting with the 2019 tax year's return, a new line dedicated to the new exclusion will be added to the North Dakota income tax return, Form ND-1. The exact placement of the new line has not yet been decided upon, but its most likely placement will be on Schedule ND-1SA (Statutory Adjustments), a supplemental schedule to Form ND-1. Regardless of its placement, it will reduce North Dakota taxable income. The income tax forms for 2019 will be worked on this coming summer and will be available to the public on our website at the end of this year in December, usually right after the Christmas holiday.

**Note:** A retired servicemember (or surviving spouse of a retired servicemember) is still subject to the normal filing requirements, regardless of whether the individual's military retirement pay is the only income for the year. (If there is no filing requirement, but North Dakota income tax is withheld from military retirement pay, see "Refund of North Dakota income tax withholding" below.)

- **North Dakota income tax withholding from military retirement pay**

As you may already know, North Dakota tax law does not require income tax withholding from military retirement payments. However, if desired, a retired servicemember may request the Defense Finance and Accounting Service (DFAS) to withhold North Dakota income tax from the payments. The procedure for this is set out on DFAS's website at <https://www.dfas.mil/retiredmilitary/manage/taxes/sitw.html>. The procedure also explains what to do to change or stop the withholding of North Dakota income tax from military retirement payments. So, retired servicemembers control what is done in this regard, subject to DFAS's requirements.

- **Refund of North Dakota income tax withholding**

If North Dakota income tax is withheld from the military retirement pay of a retired servicemember (or the surviving spouse of a retired servicemember) during 2019, the amount withheld is to be entered on the withholding line of the 2019 North Dakota income tax return that is filed after the close of the 2019 tax year. In other words, it is claimed on the return in the same manner as the North Dakota income tax withheld from any other type of income.

Whether or not all of the North Dakota income tax withheld from military retirement pay that is reported on the year-end income tax return will be refunded will depend on the retired servicemember's tax situation. If the retiree's only income for the year is the military retirement pay, its exclusion will result in a zero tax liability, in which case the entire amount withheld will be refunded. However, if the retiree also has income from other sources (including that of a spouse, if married filing jointly), which I'm sure is not uncommon, there may be a tax due or a refund on the return, depending on the amount of any North Dakota income tax withholding or estimated income tax paid with respect to the non-military retirement income.

- **Public notification**

Our implementation tasks also include providing notification to the public about the new military retirement pay exclusion. There are several avenues through which we will accomplish this task, as noted below.

- **News release**--We plan on issuing a news release to alert the public of the change. The exact date hasn't been decided upon, but I anticipate the release in the next couple of weeks.
  - All news releases can be found on our website at <https://www.nd.gov/tax/news/>.
  - To sign up to automatically receive new releases via email as they are issued, go to [Email Updates](#). When prompted to select the desired email update list(s), select the "ND Tax News" list.
- **Tax preparer newsletter**--A post-session income tax newsletter is currently being drafted that will be sent to tax preparers and any other interested persons on our "ND Income Tax" email update list. Go to [Email Updates](#) to automatically receive new issues of this newsletter. We anticipate this newsletter will also be issued in the next couple of weeks.
- **Instructions to the income tax return**--Along with the addition of the new line for the military retirement pay exclusion to the 2019 North Dakota individual income tax return, Form ND-1, the necessary instructions will be added. Information on the new military retirement pay exclusion will also be provided in the instructional pages dedicated to income tax law changes, forms changes, and other income tax developments affecting individuals.
- **Placement of information on our website**--We will update the page on our website that is dedicated to military servicemembers to add information about the new military retirement pay exclusion, which will be done sometime before our news release is issued in the couple of weeks. And, of course, at the same time that we issue the news release and newsletter, and later this year the 2019 income tax forms, these items will also be placed on our website.

I presume that you will also disseminate the information we provide through whatever channels you deem appropriate.

If I or my staff can be of further assistance, do not hesitate to contact us. Depending on your needs, you'll find the following staff members very knowledgeable and helpful:

- Jen Raab, Public Relations Officer--Phone: 701.328.3039; Email: [jraab@nd.gov](mailto:jraab@nd.gov).
- Joe Becker, Auditor III, Research and Education Section--Phone: 701.328.3451; Email: [jjbecker@nd.gov](mailto:jjbecker@nd.gov).